Saskatchewan Research Council Employees' Pension Plan

Annual Report 2010

SRC

smart science solutions

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SRC PENSION PLAN HIGHLIGHTS
DECEMBER 31, 2010

Defined Benefit Plan

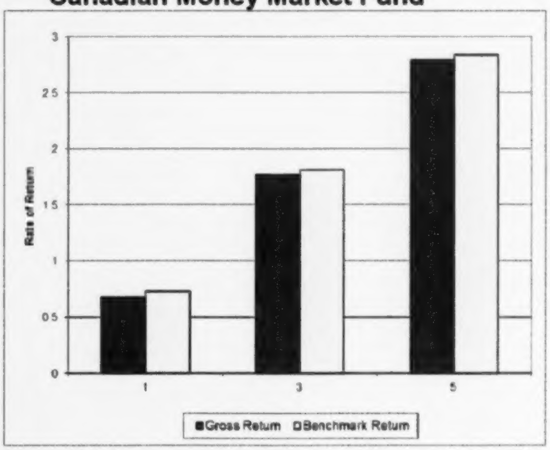
- The surplus in the defined benefit plan was $278k at December 31, 2010 compared to a surplus of $180k at December 31, 2009.
- There was a decrease in the defined benefit plan obligation of $182k from $1,565k to $1,383k as a result of Plan experience.

Defined Contribution Plan

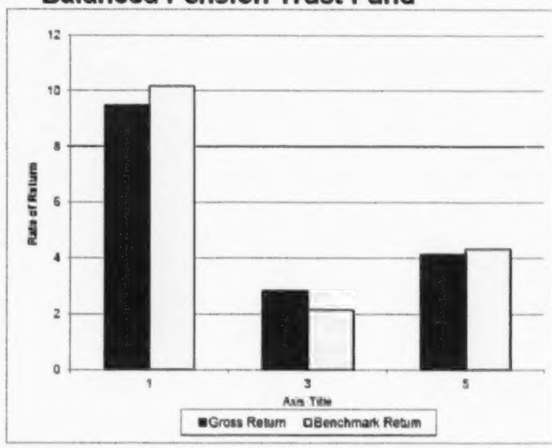
- The refund upon termination in 2010 was significantly lower than the 2009 amount. This is a result of less employees retiring or leaving SRC during 2010.
- There was a net increase of thirty-nine (39) members.

Rates of Return (pre-fee)

Canadian Money Market Fund



Balanced Pension Trust Fund



The two charts above show the one, three and five-year gross (pre-fee) rate of return compared to the benchmark rate of return for the Canadian Money Market Fund and the Balanced Pension Trust Fund.

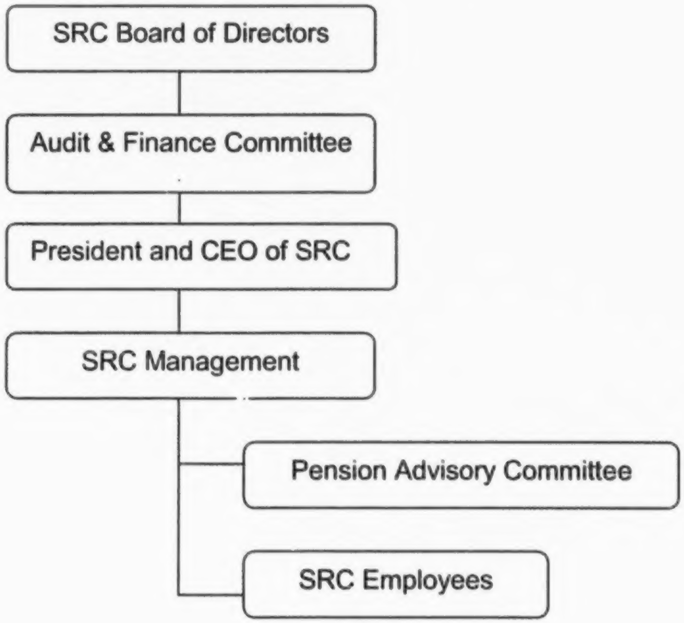
INTRODUCTION

Establishment
The Saskatchewan Research Council Employees' Pension Plan (Plan) was established in accordance with the *Income Tax Act* (Canada), and *The Pension Benefits Act, 1992* (Chapter P-6.001 of the Statutes of Saskatchewan) and the regulations thereunder.

Purpose
The Plan was established for permanent employees on May 1, 1974 for the purpose of providing retirement benefits to Saskatchewan Research Council (SRC) employees.

Structure
Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to members. The changes did not affect existing pensioners who continue to receive benefits as granted.

ORGANIZATION CHART



Roles and Responsibilities
The Plan is administered by SRC. The Board of Directors has delegated the oversight and monitoring of the Plan to the Audit & Finance Committee of the Board. The Board of Directors has charged the President and CEO, in conjunction with SRC management, with overall responsibility for the day-to-day operations of the Plan. These duties include:

- Monitoring of the performance of the investment manager, record keeper, actuaries, legal counsel and any other third party service providers used by the Plan
- Reviewing the Plan's Statement of Investment Policies and Procedures (SIP&P)
- Plan member education
- Plan communication
- Remitting pension contributions for employees in a timely manner
- Maintaining appropriate financial records for the Plan
- Reviewing required or proposed changes to the Plan.

The President and CEO and SRC management provide regular communication and information to the Audit & Finance Committee. This assists the Committee with fulfilling its responsibility for overseeing the Plan.

The Pension Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and advises SRC and Plan members with respect to matters of concern to the members. The PAC is comprised of a maximum of five members, of which one is from SRC's senior management and two to four are appointed by SRC from the list of Plan members.

PLAN OVERVIEW

The following overview of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement.

Eligibility
All regular employees (those hired without a fixed term employment agreement) of SRC shall join the Plan on the date of employment. An employee who is employed by SRC on a fixed term employment agreement shall join the Plan on the date on which they have completed 24 months of less than full-time continuous employment with SRC provided they have received earnings of at least 35% of the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, in each of the two consecutive calendar years immediately prior to joining the Plan.

Contributions
The employer contributes 4.875% of the member's Earnings up to the YMPE and 7.5% of the member's Earnings above the YMPE, on a monthly basis. In any Plan year, a member is not required nor permitted to make contributions to the Plan.

Withdrawals
Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by SRC.

Upon retirement, a transfer is available based on the member's accumulated balance to:

- another pension plan,
- a Locked-In Retirement Account Contract,
- a Prescribed Registered Retirement Income Fund or
- purchase a life annuity contract.

A member may direct all or any portion of their Plan account to one or any combination of these benefits to provide and protect their retirement income.

In the event of the death of a member before retirement, the amount in the member's account at the date of death shall be payable to the member's spouse, or to his/her beneficiary if there is no spouse. The member's spouse may elect to purchase an immediate annuity with the member's account balance, receive a lump sum payment, or transfer the balance to:

- a registered retirement savings plan,
- a deferred life annuity,
- the spouse's existing registered pension plan, or
- a Locked-In Retirement Account Contract.

Pensioners

Effective January 1, 1991, the defined benefit portion of the Plan was closed. Individuals who were receiving a pension at that time continue to receive defined benefit payments as per the Plan text.

Pensioners receive benefit increases, effective April 1st of each year, based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. Based on the Plan rate of return, the pensioners will receive a 2.4% increase on April 1, 2011. The last increase was 1.3% which was effective April 1, 2010.

The SRC Board of Directors passed a resolution such that in a year where indexing of pension benefits, as established under the Plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the Plan and may provide for an ad hoc increase.

INVESTMENT OF FUNDS

SRC is responsible for investing and holding in trust the Plan assets. SRC has retained Phillips, Hager & North Investment Management Ltd. (PH&N) as investment managers. Group Retirement Services, through London Life Investment Management Ltd., has been retained to hold the investments in a segregated fund. As at December 31, 2010, the defined benefit plan is limited to being invested by London Life Investment Management Ltd. in PH&N's Balanced Pension Trust fund and the defined contribution plan is limited to being invested in PH&N's Balanced Pension Trust fund, PH&N's Canadian Money Market fund and a London Life daily cash account.

The investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to meet the long-term objectives of the Plan, as set forth by SRC management and the PAC. SRC management and the PAC review the investment performance of the Plan in terms of the performance of the benchmark portfolio over five-year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio over a five-year period, before management fees. The benchmark return for each of the two pension fund investment choices is defined below.

As part of the review of the performance of PH&N, consideration is also given to the level of administrative fees that are assessed in comparison to fees charged by other similar funds.

PH&N Canadian Money Market Fund

The benchmark return for this fund is the Dex 30 day T-Bill Index.

The following table compares the fund's annualized gross rate of return to the investment objective return (the return of the benchmark portfolio) as of December 31, 2010.

Period ended December 31, 2010	Benchmark Return	Annualized Gross Return
One-year return	0.73%	0.68%
Three-year return	1.81%	1.77%
Five-year return	2.84%	2.79%

PH&N Balanced Pension Trust Fund

The benchmark return is calculated based on the following indices:

- 35.0% S&P/TSX Capped Composite Index (Toronto Stock Exchange Index),
- 25.0% Morgan Stanley Capital International World Index (ex Canada),
- 35.0% Dex Universe Bond Index,
- 5.0% Dex 30 day T-Bill Index.

The following table compares the fund's annualized gross rate of return to the investment objective return (the return of the benchmark portfolio) as of December 31, 2010.

Period ended December 31, 2010	Benchmark Return	Annualized Gross Return
One-year return	10.16%	9.48%
Three-year return	2.15%	2.82%
Five-year return	4.32%	4.14%

The rates of return are provided by London Life Investment Management Ltd. based on the performance of the segregated funds.

SRC management and the PAC reviewed the annual rates of return with the PH&N representative. The fund underperformed the benchmark during the previous 12 months due to being underweight in Energy and Materials, which represent approximately 50% of the total capitalization of the S&P/TSX Composite Index and had significant returns during that time. The key factor for the fund not outperforming the benchmark return in the past was the fund being underweight in the Technology, Energy and Gold sectors, and the continued concentration of the market in these sectors before the downturn. The market valuation that was concentrated in these sectors during this period resulted in a skewing of the underlying benchmark components.

The investment management company is expected to invest the Plan assets under its control in a diversified portfolio of qualified investments as defined by the *Income Tax Act* (Canada) within the following range of investment discretion:

Type of Investment	% of Portfolio at Market Value	
	Minimum	Maximum
Canadian Equities	30.0%	40.0%
Global Equities	20.0%	50.0%
Bonds	30.0%	40.0%
Cash and Short-term Notes	0.0%	15.0%

INVESTMENT SUMMARY

The Segregated Fund's asset mix by type of investment as of December 31, 2010 is shown in the table below.

Type of Investment	% of Portfolio at Market Value
Canadian Equities	34.6%
Global Equities (consisting of)	26.3%
- US Equities	13.4%
- EAFE Equities *	12.9%
Bonds	33.8%
Cash and Short-term Notes	2.7%
Canadian Money Market Fund	2.6%
Total Investments	100.0%

* EAFE – Europe, Asia and Far East Equities.

MEMBERSHIP STATUS

Defined Benefit Plan

Of the seventeen (17) individuals receiving pension payments at December 31, 2010, nine (9) are retirees and eight (8) are surviving spouses.

Defined Contribution Plan

Total Membership as at December 31, 2009		360
Add:		
Enrollments during the year		77
Less:		
Termination of membership in the Plan	34	
Retirements	3	
Death	1	
Total exits		(38)
Total Membership as at December 31, 2010		399

ADMINISTRATION OF THE PLAN

The annual operating expenditures associated with the Plan's administration were paid by SRC and were not charged to the Plan during 2010.

ACTUARIAL OPINION

With respect to the Saskatchewan Research Council Employees' Pension Plan, we have prepared an actuarial valuation as at December 31, 2010, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4100 of the CICA Handbook. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for Section 4100 accounting purposes and consequently I have not rendered an opinion on them; however, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the Plan and the purpose of the valuation;
- the actuarial cost methods and asset valuation methods employed are appropriate; and
- the valuation conforms with the requirements of Section 4100 of the Canadian Institute of Chartered Accountants.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice in Canada.

Paul Hebert

Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

March 18, 2011

REPORT OF MANAGEMENT
Year ended December 31, 2010

The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit & Finance Committee, which is composed of three non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The Provincial Auditor of Saskatchewan has audited the Saskatchewan Research Council Employees' Pension Plan financial statements in accordance with Canadian generally accepted auditing standards and his report follows.

Laurier Schramm
President and CEO

March 18, 2011

Crystal Nett
Crystal Nett, CA
Chief Financial Officer

March 18, 2011

THE SASKATCHEWAN RESEARCH COUNCIL
EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

SASKATCHEWAN

Provincial Auditor Saskatchewan

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Auditors Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Research Council Employees' Pension Plan, which comprise the statements of financial position as at December 31, 2010, and the statements of changes in net assets available for benefits, and changes in accrued pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Research Council Employees' Pension Plan as at December 31, 2010, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan	Brian Atkinson, FCA
March 18, 2011	Acting Provincial Auditor

Statement 1

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF FINANCIAL POSITION
As at December 31
(thousands of dollars)

	2010			2009		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
ASSETS						
Segregated fund (Note 3)	$ 1,652	$ 19,978	$ 21,630	$ 1,735	$ 17,775	$ 19,510
Accounts receivable	11	-	11	10	-	10
Total assets	$ 1,663	$ 19,978	$ 21,641	$ 1,745	$ 17,775	$ 19,520
LIABILITIES						
Accounts payable and accrued liabilities	2	-	2	-	-	-
Net assets available for benefits (Statement 2)	$ 1,661	$ 19,978	$ 21,639	$ 1,745	$ 17,775	$ 19,520
ACCRUED PENSION OBLIGATIONS (Statement 3)	1,383	19,978	21,361	1,565	17,775	19,340
SURPLUS	$ 278	$ -	$ 278	$ 180	$ -	$ 180

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the year ended December 31
(thousands of dollars)

	2010			2009		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
INCREASE IN ASSETS						
Current period change in value of investments	$ 156	$ 1,604	$ 1,760	$ 309	$ 2,797	$ 3,106
Contributions	11	1,177	1,188	92	1,032	1,124
Total increase in assets	$ 167	$ 2,781	$ 2,948	$ 401	$ 3,829	$ 4,230
DECREASE IN ASSETS						
Refunds and transfers	$ -	$ 578	$ 578	$ -	$ 1,172	$ 1,172
Retirement benefits	251	-	251	258	-	258
Total decrease in assets	$ 251	$ 578	$ 829	$ 258	$ 1,172	$ 1,430
Increase (decrease) in net assets	$ (84)	$ 2,203	$ 2,119	$ 143	$ 2,657	$ 2,800
Net assets available for benefits, beginning of year	1,745	17,775	19,520	1,602	15,118	16,720
Net assets available for benefits, end of year (Statement 1)	$ 1,661	$ 19,978	$ 21,639	$ 1,745	$ 17,775	$ 19,520

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED PENSION OBLIGATIONS
For the year ended December 31
(thousands of dollars)

	2010 Defined Benefit (Note 4)	2009 Defined Benefit (Note 4)
Accrued pension obligations, beginning of year	$ 1,565	$ 1,767
Increase in accrued pension obligations		
Interest on accrued benefits	$ 86	$ 98
Pension benefit increases (Note 1(e))	21	27
Change in mortality assumption	15	-
	$ 122	$ 125
Decrease in accrued pension obligations		
Benefits paid	$ 251	$ 257
Experience gains (Note 7)	53	70
	$ 304	$ 327
Accrued pension obligations, end of year (Statement 1)	$ 1,383	$ 1,565

(See accompanying notes to the financial statements)

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement. The Plan is administered by the Saskatchewan Research Council (SRC). The Pension Plan Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and discusses with SRC and Plan members matters of concern to the members. The PAC is comprised of a maximum of five members, of which one is from the SRC's senior management and two to four are appointed by SRC from the list of Plan members.

(a) General

The Saskatchewan Research Council Employees' Pension Plan was established May 1, 1974 for the purpose of providing retirement income to SRC's employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to members. The changes did not affect existing pensioners who will continue to receive benefits as granted.

(b) Funding Policy

The employer contributes 4.875% of the member's earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 7.5% of the member's earnings above the YMPE, as defined under the Canada Pension Plan, on a monthly basis. Under the terms of the Plan, members are neither required nor permitted to make contributions to the Plan.

(c) Retirement

Upon retirement, a transfer is available based on the member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Prescribed Registered Retirement Income Fund or to purchase a life annuity contract.

(d) Termination Refunds

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by SRC.

1. Description of the Plan (continued)

(e) Defined Benefit Pensioners

Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. Based on the Plan rate of return, the pensioners will receive a 2.4% increase on April 1, 2011. The last increase of 1.3% was effective April 1, 2010.

The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the Plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the pension plan and may provide for an ad hoc increase.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

Significant estimates included in the financial statements relate to the valuation of investments and the determination of the accrued defined pensioner obligations.

The following principles are considered to be significant:

(a) Investments

Investments are stated at fair value. Fair value is determined on the market value of the Plan units in the segregated fund. The market value per unit is the market value of the investments in the segregated fund's portfolio divided by the total number of outstanding units in that fund. The change in the market value of the units is shown as an increase or decrease in net assets available for benefits.

Additional units are acquired when distributions are made by the fund. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units.

(b) Other Financial Instruments

Accounts receivable and accounts payable and accrued liabilities are short-term in nature and as such their carrying value approximate fair value.

2. Summary of Accounting Policies (continued)

(c) Future Accounting Policy Changes

In February 2010 the Accounting Standards Board (AcSB) of The Canadian Institute of Chartered Accountants approved Section 4600, Pension Plans, as Part IV of the Handbook with an issued date of April 2010. The standards apply for annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Plan is evaluating the impact that these new standards will have on future financial statements.

3. Segregated Fund

The investments are held in a segregated fund held by London Life Investment Management Ltd. The segregated fund holds units in the Phillips, Hager & North funds on behalf of members.

The investment objectives of the Plan are to ensure that the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. The strategy employed to achieve these objectives is to invest cash flows from contributions into assets of the segregated fund.

The segregated fund holds units of Phillips, Hager & North Balanced Pension Trust Fund totaling \$21,064,333 (2009 - \$18,747,475) and Canadian Money Market Fund totaling \$565,244 (2009 - \$762,831). The Balanced Pension Trust Fund and Canadian Money Market Fund have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the investments is considered to be the market value, the calculation of which is described in Note 2 (a).

The value of the Plan's assets is affected by short-term changes in nominal interest rates, foreign currency and equity markets.

Investments at fair value are categorized into one of three hierarchy levels, described below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

3. Segregated Fund (continued)

The following table presents SRC's fair value hierarchy for those investments measured at fair value.

Level	Description	2010 Amount ($000's)	2009 Amount ($000's)
Level 1	Publicly Traded Equities	$13,165	$11,717
	Canadian Money Market Fund	566	763
	Fixed Income Securities	7,899	7,030
		$21,630	$19,510

Significant financial risks are related to the Plan's investments. These risks are managed by maintaining and following the Statement of Investment Policy and Procedures (Investment Policy), which is reviewed and approved annually by the SRC Audit and Finance Committee and Board of Directors. The Investment Policy provides guidelines as to the asset mix of the portfolio regarding quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. SRC reviews the investment manager's institutional report on internal controls to ensure Investment Policy compliance controls are adequate on an annual basis, and obtains quarterly attestation of the investment manager's compliance with SRC's Investment Policy.

Credit Risk
Credit risk arises from the potential for security issuers to default on their contractual obligations to the Plan. The Plan limits credit risk by setting investment restrictions within the Investment Policy and by dealing with issuers that are considered to be high quality.

Market Price Risk
The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges through the segregated fund. These securities are affected by market changes and fluctuations. The value of investments can be affected by changes in interest rates, foreign exchange rates, and equity prices. To manage these risks, SRC has adopted an Investment Policy whereby investments are strategically distributed among several classes of assets to reduce exposure to investment volatility. The Plan's Investment Policy also defines the minimum quality rating for new investments.

Interest Rate Risk
Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of some of the Plan's investments is affected by changes in nominal interest rates and equity markets.

3. Segregated Fund (continued)

The Plan manages interest rate risk by establishing a target asset mix that provides for a mix of interest-sensitive investments and investments subject to other risks. Interest-sensitive investments are actively managed to mitigate or take advantage of changes in interest rates.

The Plan holds approximately 36.5% (2009 – 36.0%) of its investments in fixed income securities at December 31, 2010 and 2.6% (2009 – 3.9%) of its investments in Canadian Money Market Funds at December 31, 2010.

The following table indicates the approximate change that a 10% change in interest rates could have on net assets available for benefits and surplus as at December 31, 2010:

Description	10% Increase ($000's)	10% Decrease ($000's)
Fixed Income Securities	$790	$(790)
Canadian Money Market Fund	57	(57)

Foreign Currency Risk

The Plan is exposed to currency risk through holding of foreign equities and foreign pay bonds where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by limiting investment in foreign securities, in accordance with the Plan's Investment Policy and by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency.

At December 31, 2010, a 10% change in the Canadian dollar versus the United States of America (U.S.) dollar exchange rate would result in approximately a $291,000 change in net assets available for benefits. A 10% change in the Canadian dollar versus the other foreign currencies currently held would result in approximately a $278,000 change in net assets available for benefits.

Equity Price Risk

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market.

The Plan manages equity price risk by limiting the amount invested in equity holdings, in accordance with the Plan's Investment Policy. The Plan holds approximately 60.9% (2009 – 60.1%) of its investments in equities at December 31, 2010. Of the total Plan investments, Canadian equities comprise 34.6% (2009 – 35.0%), U.S. equities comprise 13.4% (2009 – 13.5%), and other global equities comprise 12.9% (2009 – 11.6%).

3. Segregated Fund (continued)

The following table indicates the approximate change that could be anticipated to both the increase in net assets available for benefits and surplus based on a 10% change in the market value of the Plan's investments at December 31, 2010:

Description	10% Increase ($000's)	10% Decrease ($000's)
Canadian Equity Fund	$748	$(748)
U.S. Equity Fund	291	(291)
Foreign Equity Fund	278	(278)

Liquidity Risk
Liquidity risk is the risk that the Plan will not be able to meet its obligations as they come due. The Plan maintains an asset mix, in accordance with the Plan's Investment Policy, which helps to ensure the Plan is able to liquidate investments to meet its pension benefits or other obligations.

4. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by SRC and the PAC. SRC and the PAC review the investment performance of the Plan in terms of the performance of the benchmark portfolio over 5 year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio. Results for the year ended December 31, 2010 compared to the benchmark are as follows:

Period ended December 31, 2010	Benchmark Return	Annualized Gross Return
One year return	10.16%	9.48%
Three year return	2.15%	2.82%
Five year return	4.32%	4.14%

The one, three and five year rates of return are provided by London Life Investment Management Ltd. based on the performance of the segregated funds.

The benchmark return is calculated based on the following indices:

- 35.0% S&P/TSX Capped Composite Index (Toronto Stock Exchange Index),
- 25.0% Morgan Stanley Capital International World Index (ex Canada),
- 35.0% Dex Universe Bond Index,
- 5.0% Dex 30 day T-Bill Index.

5. Obligations for Pension Benefits

The present value of the defined benefit obligations was determined using the projected benefits method prorated on service and management's best estimate assumptions.

Aon Consulting Inc. performed an actuarial valuation as at December 31, 2010 and as at December 31, 2009.

The pension obligations are based on a number of assumptions about future events including interest rates, mortality and inflation. Actual rates may vary significantly from the long-term assumptions used.

Investment earnings in excess of 6% will be applied to provide increases to all defined benefit pensioners in receipt of benefits, which are paid from the pension fund. The significant long-term assumptions used in determining the actuarial value of accrued pension benefits are:

Interest rate 6%

The 1994 Uninsured Pensioner Mortality Table (UP94) reflects the mortality experience as of 1994 of a large sample of Canadian and U.S. pension plans. The UP94 mortality table projected to 2020 was used in the current actuarial valuation, as compared to 2015 for the previous actuarial valuation.

A 1% increase in the interest rate assumption would result in a $63,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $69,000 increase to the pension liability.

Upon termination of the defined benefit portion of the Plan, any balance remaining, after discharging all liabilities, shall belong to SRC. The balance may be distributed in a manner to be determined by SRC, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

The pension obligations are long term in nature. The Plan has no intention of settling its pension obligations in the near term and there is no market for settling pension obligations. Therefore, determination of the fair value of the pension liability is not practicable.

6. Solvency Surplus

The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act, 1992* (Act). The Act requires the Plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The funding position outlines whether the Plan has sufficient assets and future contributions to pay the benefits agreed to under the Plan. The solvency position outlines if the Plan has sufficient assets to windup the Plan at

6. Solvency Surplus (continued)

the valuation date. If the funding and solvency positions are deficits, the Act outlines how the deficits are to be paid. The actuarial valuation for funding and solvency purposes prepared by Aon Consulting Inc. as at December 31, 2010 was filed with the Superintendent. The valuation disclosed a solvency surplus of $169,000 (2009 - $28,000). In addition, the valuation disclosed a funding surplus of $278,000 (2009 - $180,000).

7. Experience Gains

The experience gains in 2010 and 2009 are the result of the Plan experiencing higher mortality rates during the year than those projected by the mortality table used by the actuary.

8. Related Party Transactions

SRC provides general administrative services without charge.

9. Administration

Administration costs may be paid out of the Plan assets as provided for in the Plan text. Since the Plan was in a deficit position at January 1, 2003, the Board of Directors concurred with management's recommendation that SRC would not be reimbursed for administration costs until such time as a sufficient surplus exists. No administration costs were reimbursed in 2010 or 2009.